

**REPORT OF THE AUDIT OF THE
WASHINGTON COUNTY
FISCAL COURT**

**For The Year Ended
June 30, 2025**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

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ALLISON BALL AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Timothy Graves, Washington County Judge/Executive
Members of the Washington County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Washington County Fiscal Court, for the year ended June 30, 2025, and the related notes to the financial statement, which collectively comprise the Washington County Fiscal Court's financial statement as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Washington County Fiscal Court, for the year ended June 30, 2025, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Washington County Fiscal Court, for the year ended June 30, 2025, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Washington County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Washington County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

Washington County Fiscal Court's management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Washington County Fiscal Court's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Washington County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

To the People of Kentucky
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Members of the Washington County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Washington County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Washington County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the financial statement as a whole.

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2025, on our consideration of the Washington County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Washington County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report finding:

2025-001 The Washington County Fiscal Court Does Not Reconcile The Payroll Revolving Accounts To Zero

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

December 22, 2025

WASHINGTON COUNTY OFFICIALS**For The Year Ended June 30, 2025****Fiscal Court Members:**

Timothy Graves	County Judge/Executive
Dallas Lewis	Magistrate
Steve Devine	Magistrate
Bobby L. Russell	Magistrate
Stephen Carney	Magistrate
Matt Medley	Magistrate
Phillip Carrico	Magistrate

Other Elected Officials:

Tim Ash	County Attorney
Joe T. Mudd	Jailer
Brett Filiatreau Barry	County Clerk
JoAnne Mudd Miller	Circuit Court Clerk
Jerry Pinkston	Sheriff
Fran Carrico	Property Valuation Administrator
Len Benedict	Coroner

Appointed Personnel:

Carla Hardin	County Treasurer
Sheila D. Smith	Deputy Judge/Finance Officer
Kevin Devine	OEM
Tommy Warner	Road Dept. Supervisor

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**WASHINGTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2025

WASHINGTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2025

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 4,149,665	\$	\$
Excess Fees	159,309		
Licenses and Permits	69,792		
Intergovernmental	2,048,713	1,958,671	83,880
Charges for Services	641,926		
Miscellaneous	585,459	433,847	6,718
Interest	56,425	149	10
Total Receipts	<u>7,711,289</u>	<u>2,392,667</u>	<u>90,608</u>
DISBURSEMENTS			
General Government	2,881,874		
Protection to Persons and Property	1,616,376		587,129
General Health and Sanitation	567,025		
Social Services	12,466		
Recreation and Culture	54,461		
Transportation Facility and Services		14,709	
Roads		1,915,393	
Bus Services	28,184		
Debt Service		129,716	
Capital Projects	63,894	192,592	
Administration	1,272,195	281,876	53,615
Total Disbursements	<u>6,496,475</u>	<u>2,534,286</u>	<u>640,744</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,214,814</u>	<u>(141,619)</u>	<u>(550,136)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account	29,017		
Transfers From Other Funds		100,000	510,000
Transfers To Other Funds	(610,000)		
Total Other Adjustments to Cash (Uses)	<u>(580,983)</u>	<u>100,000</u>	<u>510,000</u>
Net Change in Fund Balance	633,831	(41,619)	(40,136)
Fund Balance - Beginning	2,214,536	571,516	68,223
Fund Balance - Ending	<u>\$ 2,848,367</u>	<u>\$ 529,897</u>	<u>\$ 28,087</u>
Composition of Fund Balance			
Bank Balance	\$ 1,845,973	\$ 542,145	\$ 35,888
Less: Outstanding Checks	(43,945)	(12,248)	(7,801)
Payroll Revolving Account Reconciled Balance	29,017		
Certificates of Deposit	1,017,322		
Fund Balance - Ending	<u>\$ 2,848,367</u>	<u>\$ 529,897</u>	<u>\$ 28,087</u>

The accompanying notes are an integral part of the financial statement.

WASHINGTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2025
(Continued)

Budgeted Funds			Unbudgeted Fund	
American Rescue Plan Act Fund	County Clerk Storage Fund	Opioid Settlement Fund	Justice Center Corporation Fund	Total Funds
\$ 661	\$ 19,730	\$ 26	\$ 902,075	\$ 4,149,665
				159,309
				69,792
				4,994,000
				641,926
				1,074,979
				56,610
<u>661</u>	<u>19,756</u>	<u>29,225</u>	<u>902,075</u>	<u>11,146,281</u>
 <hr/>				
2,001,279	51,793			2,933,667
		4,632		4,204,784
				571,657
				12,466
				54,461
				14,709
				1,915,393
				28,184
			899,875	1,029,591
				256,486
				2,200
<u>2,001,279</u>	<u>51,793</u>	<u>4,632</u>	<u>902,075</u>	<u>1,609,886</u>
 <hr/>				
(2,000,618)	(32,037)	24,593		(1,485,003)
				29,017
				610,000
				(610,000)
				<u>29,017</u>
(2,000,618)	(32,037)	24,593		(1,455,986)
<u>2,043,755</u>	<u>41,871</u>	<u>88,282</u>	<u>750</u>	<u>5,028,933</u>
<u>\$ 43,137</u>	<u>\$ 9,834</u>	<u>\$ 112,875</u>	<u>\$ 750</u>	<u>\$ 3,572,947</u>
 <hr/>				
\$ 43,137	\$ 61,627	\$ 112,875	\$ 750	\$ 2,642,395
	(51,793)			(115,787)
				29,017
				1,017,322
<u>\$ 43,137</u>	<u>\$ 9,834</u>	<u>\$ 112,875</u>	<u>\$ 750</u>	<u>\$ 3,572,947</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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**WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2025

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Washington County includes all budgeted and unbudgeted funds under the control of the Washington County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act for and on behalf of, and as the agency and instrumentality of the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

**WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund are federal grants received under the American Recovery Plan Act.

County Clerk Storage Fund - The primary purpose of this fund is to account for receipts and disbursements related to the county clerk's permanent storage of county records. The funds are used for the maintenance of records and for the facilities used to store those records.

Opioid Settlement Fund - The primary purpose of this fund is to account for revenues received as a result of the opioid settlement related to oxycontin. Funds received under this settlement are to be used in efforts to reduce the illicit use of opioids.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

Justice Center Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the Justice Center Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

E. Washington County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Washington County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Washington County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. Joint Venture

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture of the Washington County Fiscal Court:

Springfield – Washington County Economic Development Authority (SWEDA)

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Joint Venture (Continued)

SWEDA was formed in the late 1990s as a collaborative organization between the City of Springfield and Washington County. Each entity appoints three board members to make up the six-member board of directors. SWEDA employs a full time executive director to manage the day-to-day operations and carry out the mission of the organization as set forth by the board of directors. The agency has three main tasks: recruit new industry, retain existing industry, and provide workforce development.

Note 2. Deposits

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2025, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2025.

	General Fund	Total Transfers In
Road Fund	\$ 100,000	\$ 100,000
Jail Fund	510,000	510,000
Total Transfers Out	\$ 610,000	\$ 610,000

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 4. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Road Department – Building

On October 11, 2016, the fiscal court entered into a note payable with Springfield State Bank in the amount of \$495,000 for the construction of a road department building. The interest rate is fixed at 3.50 percent. The term is for 120 months with the balance to be paid on October 11, 2026. In the event of default, the loan is secured by the property being financed and foreclosure upon said property would take place. As of June 30, 2024, the principal balance was paid in full.

B. Other Debt

1. First Mortgage Refunding Revenue Bonds (Justice Center Project) – Series 2015

On September 23, 2015, the Washington County Justice Center Corporation (corporation) issued \$6,905,000 of first mortgage refunding revenue bonds. Proceeds from the bonds were used for the purpose of financing (i) the partial advance refunding of certain maturities of the \$11,960,000 Washington County, Kentucky Justice Center Corporation First Mortgage Revenue Bonds (Justice Center Project), Series 2007, (ii) the payment of accrued interest, if any, and (iii) the payment of the cost of issuance incurred with respect to the issuance of the bonds. Principal payments are due annually on October 1, beginning October 1, 2018. Interest payments, at an interest rate of three percent, are payable semi-annually on April 1 and October 1, beginning April 2016. In the event of default, by enforcement of the foreclosable mortgage lien on the project site and improvement granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds, or by suing. The outstanding principal balance as of June 30, 2025, is \$1,745,000.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	\$ 860,000	\$ 39,450
2027	885,000	13,275
Totals	<u>\$ 1,745,000</u>	<u>\$ 52,725</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2025, was as follows:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements*	\$ 126,479	\$	\$ 126,479	\$	\$
Revenue Bonds	<u>2,580,000</u>		<u>835,000</u>	<u>1,745,000</u>	<u>860,000</u>
Total Long-term Debt	<u>\$ 2,706,479</u>	<u>\$ 0</u>	<u>\$ 961,479</u>	<u>\$ 1,745,000</u>	<u>\$ 860,000</u>

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 4. Long-term Debt (Continued)

C. Changes In Long-term Debt (Continued)

* The beginning balance for direct borrowings and direct placements was restated by (\$4,683) due to errors in prior years.

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations on June 30, 2025, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2026	\$ 860,000	\$ 39,450	\$	\$
2027	885,000	13,275		
Totals	<u>\$ 1,745,000</u>	<u>\$ 52,725</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 5. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems (Ky. Ret. Sys.). The CERS nine member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2023 was \$704.412, FY 2024 was \$669,174, and FY 2025 was \$612,298.

Nonhazardous

Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6% of their salary to be allocated as follows: 5% will go to the member's account and 1% will be allocated to CERS's share of assets in the Ky. Ret. Sys. Insurance Fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5% of their annual creditable compensation. Nonhazardous members also contribute 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by CERS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 5. Employee Retirement System (Continued)

Nonhazardous (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 19.71%.

Hazardous

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will be allocated to CERS's share of assets in the Ky. Ret. Sys. Insurance Trust Fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8% of their annual creditable compensation and also contribute 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 38.61%.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, they earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. Upon the death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

C. Health Insurance Coverage - Tier 2 and Tier 3 – Hazardous (Continued)

The monthly insurance benefit has been increased annually as a 1.5% COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

G. Annual Financial Report and Proportionate Share Audit Report

KPPA issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646. Some reports may also be obtained online at <https://kyret.ky.gov>.

KPPA also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 6. Deferred Compensation

The Washington County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

**WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)**

Note 6. Deferred Compensation (Continued)

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 7. Health Reimbursement Account/Flexible Spending Account

The Washington County Fiscal Court established a flexible spending account on June 4, 2010, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$2,000 each year to pay for qualified medical expenses. The health reimbursement account provides a debit card to each eligible employee onto which the employee can contribute pre-tax funds through payroll deduction.

Note 8. Insurance

For the fiscal year ended June 30, 2025, the Washington County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Payroll Revolving Account

The reconciled balance of the payroll revolving account of \$29,017 as of June 30, 2025, was added to the General Fund cash balance for financial reporting purposes.

**WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2025

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WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

GENERAL FUND					
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget	
	Original	Final		Positive (Negative)	
RECEIPTS					
Taxes	\$ 3,501,000	\$ 3,552,303	\$ 4,149,665	\$ 597,362	
Excess Fees	36,596	159,309	159,309		
Licenses and Permits	57,000	57,000	69,792	12,792	
Intergovernmental	1,748,920	1,785,618	2,048,713	263,095	
Charges for Services	517,700	517,700	641,926	124,226	
Miscellaneous	270,700	499,561	585,459	85,898	
Interest	3,900	3,900	56,425	52,525	
Total Receipts	<u>6,135,816</u>	<u>6,575,391</u>	<u>7,711,289</u>	<u>1,135,898</u>	
DISBURSEMENTS					
General Government	3,151,958	3,397,579	2,881,874	515,705	
Protection to Persons and Property	1,624,015	1,775,124	1,616,376	158,748	
General Health and Sanitation	556,238	623,848	567,025	56,823	
Social Services	15,000	17,900	12,466	5,434	
Recreation and Culture	48,715	57,165	54,461	2,704	
Bus Services	35,600	35,600	28,184	7,416	
Debt Service	50,000	50,000		50,000	
Capital Projects	800,000	800,000	63,894	736,106	
Administration	<u>1,459,605</u>	<u>1,763,026</u>	<u>1,272,195</u>	<u>490,831</u>	
Total Disbursements	<u>7,741,131</u>	<u>8,520,242</u>	<u>6,496,475</u>	<u>2,023,767</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,605,315)</u>	<u>(1,944,851)</u>	<u>1,214,814</u>	<u>3,159,665</u>	
Other Adjustments to Cash (Uses)					
Financing Obligation Proceeds	500,000	500,000		(500,000)	
Transfers To Other Funds	<u>(769,685)</u>	<u>(769,685)</u>	<u>(610,000)</u>	<u>159,685</u>	
Total Other Adjustments to Cash (Uses)	<u>(269,685)</u>	<u>(269,685)</u>	<u>(610,000)</u>	<u>(340,315)</u>	
Net Change in Fund Balance	(1,875,000)	(2,214,536)	604,814	2,819,350	
Fund Balance - Beginning	<u>1,875,000</u>	<u>2,214,536</u>	<u>2,214,536</u>		
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,819,350</u>	<u>\$ 2,819,350</u>	

WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

ROAD FUND					
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget	
	Original	Final		Positive (Negative)	
RECEIPTS					
Intergovernmental	\$ 1,692,930	\$ 1,954,802	\$ 1,958,671	\$ 3,869	
Miscellaneous	402,000	402,000	433,847	31,847	
Interest	120	120	149	29	
Total Receipts	<u>2,095,050</u>	<u>2,356,922</u>	<u>2,392,667</u>	<u>35,745</u>	
DISBURSEMENTS					
Transportation Facilities and Services	18,450	19,450	14,709	4,741	
Roads	1,853,648	2,108,848	1,915,393	193,455	
Debt Service	152,500	152,500	129,716	22,784	
Capital Projects	100,000	195,000	192,592	2,408	
Administration	370,452	552,640	281,876	270,764	
Total Disbursements	<u>2,495,050</u>	<u>3,028,438</u>	<u>2,534,286</u>	<u>494,152</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(400,000)</u>	<u>(671,516)</u>	<u>(141,619)</u>	<u>529,897</u>	
Other Adjustments to Cash (Uses)					
Transfers From Other Funds	100,000	100,000	100,000	0	
Total Other Adjustments to Cash (Uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>0</u>	
Net Change in Fund Balance	(300,000)	(571,516)	(41,619)	529,897	
Fund Balance - Beginning	<u>300,000</u>	<u>571,516</u>	<u>571,516</u>	<u>0</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 529,897</u>	<u>\$ 529,897</u>	

WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

JAIL FUND						
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget		
	Original	Final		Positive (Negative)		
RECEIPTS						
Intergovernmental	\$ 81,650	\$ 81,650	\$ 83,880	\$ 2,230		
Miscellaneous	7,000	7,000	6,718	(282)		
Interest	15	15	10	(5)		
Total Receipts	<u>88,665</u>	<u>88,665</u>	<u>90,608</u>	<u>1,943</u>		
DISBURSEMENTS						
Protection to Persons and Property	706,875	706,875	587,129	119,746		
Administration	71,475	119,698	53,615	66,083		
Total Disbursements	<u>778,350</u>	<u>826,573</u>	<u>640,744</u>	<u>185,829</u>		
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(689,685)</u>	<u>(737,908)</u>	<u>(550,136)</u>	<u>187,772</u>		
Other Adjustments to Cash (Uses)						
Transfers From Other Funds	669,685	669,685	510,000	(159,685)		
Total Other Adjustments to Cash (Uses)	<u>669,685</u>	<u>669,685</u>	<u>510,000</u>	<u>(159,685)</u>		
Net Change in Fund Balance	(20,000)	(68,223)	(40,136)	28,087		
Fund Balance - Beginning	20,000	68,223	68,223			
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,087</u>	<u>\$ 28,087</u>		

WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

AMERICAN RESCUE PLAN ACT FUND

	Budgeted Amounts	Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	
RECEIPTS			
Intergovernmental	\$ 500	\$ 500	\$ 161
Total Receipts	500	500	161
DISBURSEMENTS			
Protection to Persons and Property	1,915,000	2,044,255	2,001,279 42,976
Administration	85,500		
Total Disbursements	2,000,500	2,044,255	2,001,279 42,976
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,000,000)	(2,043,755)	(2,000,618) 43,137
Net Change in Fund Balance	(2,000,000)	(2,043,755)	(2,000,618) 43,137
Fund Balance - Beginning	2,000,000	2,043,755	2,043,755
Fund Balance - Ending	\$ 0	\$ 0	\$ 43,137 \$ 43,137

WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

COUNTY CLERK STORAGE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 20,730	\$ 20,730	\$ 19,730	\$ (1,000)
Interest	20	20	26	6
Total Receipts	<u>20,750</u>	<u>20,750</u>	<u>19,756</u>	<u>(994)</u>
DISBURSEMENTS				
General Government	26,000	61,210	51,793	9,417
Administration	<u>35,210</u>			
Total Disbursements	<u>61,210</u>	<u>61,210</u>	<u>51,793</u>	<u>9,417</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(40,460)	(40,460)	(32,037)	8,423
Net Change in Fund Balance	(40,460)	(40,460)	(32,037)	8,423
Fund Balance - Beginning	<u>40,460</u>	<u>40,460</u>	<u>41,871</u>	<u>1,411</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,834</u>	<u>\$ 9,834</u>

WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

OPIOID SETTLEMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 10,000	\$ 10,000	\$ 29,225	\$ 19,225
Total Receipts	<u>10,000</u>	<u>10,000</u>	<u>29,225</u>	<u>19,225</u>
DISBURSEMENTS				
General Health and Sanitation	25,000	25,000	4,632	20,368
Administration	<u>15,000</u>	<u>73,282</u>		<u>73,282</u>
Total Disbursements	<u>40,000</u>	<u>98,282</u>	<u>4,632</u>	<u>93,650</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,000)</u>	<u>(88,282)</u>	<u>24,593</u>	<u>112,875</u>
Net Change in Fund Balance	(30,000)	(88,282)	24,593	112,875
Fund Balance - Beginning	<u>30,000</u>	<u>88,282</u>	<u>88,282</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 112,875</u>	<u>\$ 112,875</u>

**WASHINGTON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

June 30, 2025

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of the General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (610,000)
To adjust for Payroll Account	<u>29,017</u>
 Total Other Adjustment to Cash (Uses) - Regulatory Basis	 <u>\$ (580,983)</u>
 Ending Balance-Budgetary Basis	 \$ 2,819,350
To adjust for Payroll Account	<u>29,017</u>
 Total Ending Balance - Regulatory Basis	 <u>\$ 2,848,367</u>

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**WASHINGTON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis**

For The Year Ended June 30, 2025

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WASHINGTON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land Improvements	\$ 228,086	\$	\$ 160,820	\$ 67,266
Buildings	12,985,477	158,779	10,000	13,134,256
Land and Building Improvements	2,286,540	109,800	41,875	2,354,465
Vehicles	168,144			168,144
Equipment	2,685,827	488,980	800,991	2,373,816
Infrastructure	14,588,034	1,251,703		15,839,737
 Total Capital Assets	 \$ 32,942,108	 \$ 2,009,262	 \$ 1,013,686	 \$ 33,937,684

WASHINGTON COUNTY
NOTES TO OTHER INFORMATION - REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS

June 30, 2025

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture, and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	2-10
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

The Honorable Timothy Graves, Washington County Judge/Executive
Members of the Washington County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Washington County Fiscal Court for the fiscal year ended June 30, 2025 and the related notes to the financial statement which collectively comprise the Washington County Fiscal Court's financial statement and have issued our report thereon dated December 22, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Washington County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Washington County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Washington County Fiscal Court's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2025-001 that we consider to be a significant deficiency.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Washington County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

December 22, 2025

**WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2025

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SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2025

2025-001 The Washington County Fiscal Court Does Not Reconcile The Payroll Revolving Accounts To Zero

Condition and Context

The Washington County Fiscal Court does not reconcile the payroll withholding revolving account, or payroll revolving accounts for each fund, to a zero balance on a monthly basis. The reconciled balance remaining in the accounts at June 30, 2025, are as follows:

- Payroll Withholding Revolving Account - \$29,017
- General Fund Payroll Revolving Account - \$3,413
- Road Fund Payroll Revolving Account - \$40,050
- Jail Fund Payroll Revolving Account - \$20,058

A payroll revolving account was set up for each fund (General, Road, and Jail) in order to transfer the total for net payroll and taxes. A large amount is transferred from the respective fund to the payroll revolving account several times a month to cover payroll. Auditors also noted that the payroll withholding revolving account reconciled balance was not added to the General Fund bank balance on the fourth quarter report.

Cause

Due to lack of monitoring, the payroll revolving accounts are not reconciled to zero on a monthly basis and the reconciled balance for the payroll withholding revolving account was not recorded in the general fund bank balance on the quarterly report.

Effect

This causes a significant amount remaining in the revolving accounts on a monthly basis which increases the risk that funds will be misused and go undetected.

Criteria

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.”

The review and monitoring of payroll revolving account balances is a basic internal control necessary to ensure the amount being transferred to the payroll revolving account is the amount being deducted to avoid significant balances remaining in the revolving accounts.

Recommendations

We recommend the amount being transferred to the payroll revolving accounts agree to the amount being disbursed based on payroll reports, and the accounts should reconcile to a zero balance each month.

Views of Responsible Official and Planned Corrective Action

The official did not provide a response.